

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on February 21, 2005 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Norman Furse, Revisor of Statutes  
Alan Conroy, Director, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Susan Kannarr, Kansas Legislative Research Department  
Carolyn Rampey, Kansas Legislative Research Department  
Matt Spurgin, Kansas Legislative Research Department  
Judy Bromich, Administrative Analyst  
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

None

Others attending:

See attached list.

Chairman Umbarger referred the following bill to the KPER'S Issues Subcommittee:

**HB 2183--Fort Hays state university, memorial union renovation capital improvement project**

The Chairman withdrew the following bill from the Subcommittee on the Kansas Department of Health and Environment and brought it back to the full committee:

**SB 84--Appropriations for FY 2006 for the department of health and environment, 340B federal drug pricing program**

Chairman Umbarger called the committee's attention to continued discussion of the Subcommittee reports on:

**Kansas Department of Commerce  
Kansas Technology Enterprise Corporation**

**Kansas, Inc.** (Subcommittee attachments are in the minutes of the March 18, 2005 meeting).

Senator Wysong provided copies of the suggested language he presented in the March 18<sup>th</sup> meeting (Attachment 1).

Senator Wysong moved, with a second by Senator Emler, to amend the subcommittee report on Kansas, Inc., to add language commenting on the future of Kansas, Inc. (This language is found on Page 2 of Attachment 1). Motion carried on a voice vote. Senator Barone requested to be recorded as abstaining from the vote on this motion.

Senator Wysong moved, with a second by Senator Emler, to adopt the subcommittee budget reports in FY 2005 and FY 2006 as amended on the Kansas Department of Commerce, and Kansas Technology Enterprise Corporation, and Kansas, Inc., and to include the opening remarks provided by Subcommittee Chairman Wysong for each of the three agencies. Motion carried on a voice vote.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on February 21, 2005 in Room 123-S of the Capitol.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2005 and FY 2006 were available to the committee.

**Subcommittee budget report on:**

**Kansas Department of Education (Attachment 2)**

Subcommittee Chairman Duane Umbarger reported that the subcommittee on the Kansas Department of Education concurs with the Governor's recommendation in FY 2005 with observation and concurs with the Governor's FY 2006 recommendations with exceptions and observations.

Senator Barone moved, with a second by Senator Steineger, to amend the subcommittee budget report regarding Item No. 9, FY 2006, that additional funding for elementary/secondary education would be considered at Omnibus. Motion carried on a voice vote.

Senator Emler moved, with a second by Senator Teichman, to adopt the subcommittee budget report as amended on the Kansas Department of Education in FY 2005 and FY 2006. Motion carried on a voice vote.

Chairman Umbarger called attention to discussion on:

**SB 123--State treasurer authorized to charge certain fees**

Staff provided an overview of the bill. **SB 123** had a public hearing on February 9, 2005.

Senator Taddiken moved, with a second by Senator Emler, to recommend **SB 123** favorable for passage. Motion carried on a roll call vote.

The meeting adjourned at 11:30 a.m. The next meeting is scheduled for February 22, 2005.

SENATE WAYS AND MEANS  
GUEST LIST

Date February 21, 2005

NAME	REPRESENTING
Elaine Frisbie	Division of the Budget
Stephanie Buchanan	" " " "
Rod W. Helms	KSDE
Dale Dennis	✓
Doug Bowman	Coordinating Council on Early Childhood
Matt Jett	INTERHAB
Mike Williams, EAD	4125 Westport, Wichita 67212
Mike Huttles	KGC

## **Suggested Language to be Added in Senate Committee Recommendations**

### **DEPARTMENT OF COMMERCE - FY 2005**

#### **Agency information language –**

The agency's current year budget reflects a number of additional responsibilities placed upon the agency as a result of action taken by the 2004 Legislature. These include:

- ERO 31 which merged the Employment and Training Division of the Department of Human Resources (now the Department of Labor) with the Department of Commerce effective July 1, 2004. This transfer nearly doubled the agency budget, almost quadrupled the staff, and gave Commerce the responsibility for 27 area workforce centers. As a result the agency has begun a major restructuring of programs to integrate the new responsibilities and redesign the state's workforce development system.
- Passage of Legislation, including the Kansas Economic Growth Act, which added the administration of the Center for Entrepreneurship, the Community Entrepreneurship Fund, Rural Business Development Tax Credits, the Agritourism Promotion Act, the Downtown Redevelopment Act, an Athletic Commission and STAR Bond revisions.

The agency also developed and rolled-out a new State Brand and Image campaign. The 2004 Legislature appropriated \$700,000 from the EDIF for the development process in FY 2005 which the agency raised to \$1.7 million by reallocating funds internally. The \$700,000 remains in the agency's base budget for FY 2006.

### **KTEC - FY 2005**

#### **Agency information language –**

KTEC receives approximately 79 percent of its funding from the EDIF with the remainder being federal funds to support the Mid-America Manufacturing Technology Center. Beginning in FY 2005 and continuing into FY 2006, the agency –

- Played an integral role in the development and implementation of the Kansas Bioscience Authority.
- Implemented the Angel Investment Tax Credit program passed by the 2004 Legislature.

### **KANSAS, INC. - FY 2005**

#### **Agency information language –**

Kansas, Inc. receives approximately 67 percent of its funding from the EDIF with the remainder being private and other funds the agency is required to raise to support its research agenda. Over the last year the agency has performed the following functions:

*Senate Ways and Means  
03-28-05  
Attachment 1*

- Raised \$100,000 in FY 2005 to match \$100,000 EDIF appropriated by the 2004 Legislature to support and expanded research agenda
- Began groundwork for the Indicators of the Kansas Economy (IKE) project
- Performed research and made recommendations on the potential for creating a permanent film industry in Kansas in response to a request from the House Economic Development Committee in the 2004 Session.
- Took on new evaluation duties for the Bioscience Authority and the Center for Entrepreneurship.

### **Language regarding the future of Kansas, Inc.**

It is the conclusion of this subcommittee, after hearing testimony that this agency is in the process of “turning the corner”. It is felt that the agency has not been given the full opportunity to perform because of legislative, statutory and fiscal restraints to complete its annual goals and mission.

The Subcommittee recommends that the full Senate look at the whole picture to see if the agency has really been “dealt a full deck” as it were and to understand its renewed commitment and vision, before it makes the decision to cease the operations of Kansas, Inc. A January 2001 Legislative Post Audit concluded that:

“Although Kansas, Inc. has produced a number of economic studies and has updated the State’s economic development strategic plan several times since 1986, it hasn’t been the key coordinating agency for economic development that was originally envisioned. Likely reasons include, the lack of statutory authority to direct the other agencies, a small staff and budget that limits the amount of evaluation work it can do, and a potential for conflict between its roles as evaluator and coordinator.”

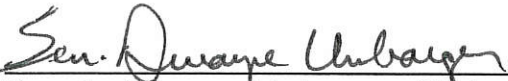
The Subcommittee recommends the Legislature examine the resources available and compare those resources with the duties assigned to or expected from the agency to determine whether the issues cited in the audit have changed. The Subcommittee feels this agency warrants a second consideration.

# Senate Subcommittee Report

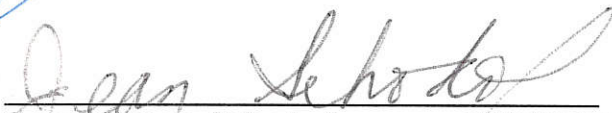
FY 2005 and FY 2006

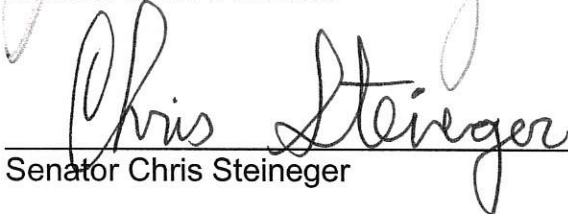
on

State Department of Education

  
\_\_\_\_\_  
Senator Dwayne Umbarger, Chairperson

  
\_\_\_\_\_  
Senator Jay Scott Emler

  
\_\_\_\_\_  
Senator Jean Schodorf

  
\_\_\_\_\_  
Senator Chris Steineger

  
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Senator Ruth Teichman

## Senate Subcommittee Report

**Agency:** State Department of Education

**Bill No.**

**Bill Sec.**

**Analyst:** Rampey

**Analysis Pg. No.** 367

**Budget Pg. No.** 139

<u>Expenditure Summary</u>	<u>Agency Estimate FY 2005</u>	<u>Governor's Recommendation FY 2005</u>	<u>Senate Subcommittee Adjustments</u>
Operating Expenditures: State General Fund	\$ 2,349,095,695	\$ 2,316,424,490	\$ 0
All Other Funds	<u>448,889,328</u>	<u>448,889,328</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 2,797,985,023</u></b>	<b><u>\$ 2,765,313,818</u></b>	<b><u>\$ 0</u></b>
FTE Positions	210.8	210.8	--
Non FTE Uncl. Perm. Pos.	<u>46.1</u>	<u>46.6</u>	<u>--</u>
<b>TOTAL</b>	<b><u>257.4</u></b>	<b><u>257.4</u></b>	<b><u>--</u></b>

### Agency Estimate/Governor's Recommendation

The State Department of Education estimates total expenditures of \$2,797,985,023, of which \$2,349,095,695 is from the State General Fund. Key points in the budget are the following:

- Based on revised estimates made November 18, 2004, the amount of funding needed for general and supplemental state aid is \$1,903,949,000. This results in State General Fund savings totaling \$29,650,000 in the current year, of which \$18,243,000 is due to general state aid and \$11,416,000 is due to supplemental general state aid.
- The State Department requests a supplemental appropriation of \$2,963,348 from the State General Fund for special education, which would increase the funding for excess costs from 81.7 percent to 82.7 percent.
- The State Department requests a supplemental appropriation of \$987,795 from the State General Fund for the Juvenile Detention Facilities Program. The 2004 Legislature added money to the program in FY 2004 because the facilities have experienced an increase in enrollments, but additional funding for the increase in enrollments was not made available for FY 2005.
- The State Department requests a supplemental appropriation of \$48,857 from the State General Fund to pay the State Department's portion of a surcharge on leased space in Shawnee County. Revenues generated from the surcharge, which was first imposed in FY 2005, are used by the State Department of

Administration to maintain and operate the State Capitol, the Judicial Center, and Cedar Crest. The State Department's total surcharge in the current year is \$54,005, which includes \$5,198 that will be paid from special revenue funds.

**The Governor recommends** a total of \$2,765,313,818, of which \$2,316,424,490 is from the State General Fund. The Governor concurs with the revised estimates for general and supplemental general state aid and reduces expenditures in the current year by \$29,659,000. The Governor does not add additional funding for special education or for the State Department's portion of the surcharge used to maintain the State Capitol, the Judicial Center, and Cedar Crest. The Governor concurs with the revised estimate for the School District Capital Improvements Fund transfer and approves the requested supplemental appropriation of \$987,795 for the Juvenile Detention Facilities Program.

### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the recommendation of the Governor, with the following observation:

1. **Change from FY 2005 Approved Budget.** The Subcommittee notes that the Governor's FY 2005 revised recommendation is a net State General Fund decrease of \$28,660,902 (1.2 percent) below the FY 2005 State General Fund amount approved by the 2004 Legislature. The reduction is attributable to savings totaling \$29,659,000 in general and supplemental general state aid, based on revised school finance estimates.



## Senate Subcommittee Report

**Agency:** State Department of Education

**Bill No.**

**Bill Sec.**

**Analyst:** Rampey

**Analysis Pg. No.** 367

**Budget Pg. No.** 139

<u>Expenditure Summary</u>	<u>Agency Request FY 2006</u>	<u>Governor's Recommendation FY 2006</u>	<u>Senate Subcommittee Adjustments*</u>
Operating Expenditures:			
State General Fund	\$ 2,497,186,637	\$ 2,328,399,370	\$ (12,595,695)
All Other Funds	<u>457,258,731</u>	<u>457,437,336</u>	<u>(459,560)</u>
<b>TOTAL</b>	<b><u><u>\$ 2,954,445,368</u></u></b>	<b><u><u>\$ 2,785,836,706</u></u></b>	<b><u><u>\$ (13,055,255)</u></u></b>
FTE Positions	210.8	210.8	--
Non FTE Uncl. Perm. Pos.	<u>46.1</u>	<u>46.6</u>	--
<b>TOTAL</b>	<b><u><u>257.4</u></u></b>	<b><u><u>257.4</u></u></b>	<b>--</b>

\*The Subcommittee's adjustment includes a reduction of \$11,505,255, of which \$11,045,695 is from the State General Fund, recommended by the Governor for the 2.5 percent base salary increase, the 27<sup>th</sup> payroll period, and the KPERS death and disability increase. (Of the amount for the KPERS death and disability increase, \$10,657,802 from the State General Fund is attributable to KPERS—School.)

### Agency Request/Governor's Recommendation

**The State Department requests a total of \$2,954,445,368**, of which \$2,497,186,637 is from the State General Fund.

- The budget includes funding to increase Base State Aid Per Pupil (BSAPP) from the allotment rate of \$3,863, to \$4,047, an increase of \$184. (The amount would be an increase of \$157 over the statutory rate of \$3,890.) Based on the revised estimates, the \$184 increase would total \$107,000,000 from the State General Fund.
- The State Department requests funding for 90 percent of special education excess costs, or a total of \$284,484,600. The total is an increase of \$33,467,755 over the appropriation for the current year, which is expected to fund excess costs at the 81.7 percent level.
- The State Department requests \$10,000,000 from the State General Fund for a new initiative to boost reading and mathematics achievement of students in kindergarten through grade three. Under the proposal, school districts would receive \$81 per full-time equivalent student in kindergarten through grade three. The money would be used for professional development, extended learning time,

and the implementation of research-based reading programs.

**The Governor recommends** a total of \$2,785,836,706, of which \$2,328,399,370 is from the State General Fund. Major items in the Governor's budget include the following:

- BSAPP is continued at the current allotment rate of \$3,863.
- Special education funding is recommended at the current level of \$251,016,845, which would fund special education excess costs at the 79.4 percent level, compared to the 81.7 percent level in the current year.
- The Governor resumes funding for the Teacher Mentoring Program, with a recommendation of \$1,000,000 from the State General Fund, and recommends \$2,500,000 from the State General Fund for Professional Development, which has not been funded since FY 2003.
- The Governor recommends continuation of voluntary audits of school districts by recommending \$300,000 from the State General Fund. In the current year, funding for the audits is provided by the Kauffman Foundation
- The **Governor** recommends \$325,000 from the State General Fund for teacher licensure performance assessments.

### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the recommendation of the Governor, with the following exceptions and observations:

1. **Pay Plan Adjustment.** Delete \$323,986, of which \$148,193 is from the State General Fund, to remove pay plan funding recommended by the Governor (a 2.5 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. **Other Salary and Wage Adjustments.** Delete \$480,050, of which \$219,607 is from the State General Fund, for the 27<sup>th</sup> payroll period, and \$10,701,219, of which \$10,677,895 is from the State General Fund, for the Kansas Public Employees Retirement System (KPERs) death and disability increase for later Committee consideration. (Of the KPERs death and disability increase, \$10,657,802 from the State General Fund is attributable to KPERs—School.)
3. **Change from Approved Budget.** The Subcommittee notes that the Governor's FY 2006 recommendation is a State General Fund decrease of \$16,686,022 (0.7 percent) from the amount approved by the 2004 Legislature for FY 2005. The decrease is primarily accounted for by the fact that local resources of school districts are expected to increase from FY 2005 to FY 2006, thereby offsetting the amount of general and supplemental general state aid needed for school finance.
4. Add \$100,000 from the State General Fund for Information Technology. The money would be used to replace outdated network servers, computers, printers, and related hardware and software.

5. Increase the transfer from the State Safety Fund to the State General Fund by \$600,000, for a total transfer of \$2,600,000. Because of increased drivers license fees, a balance has built in the state Safety Fund, part of which can be transferred to the State General Fund without reducing the current level of support for school district driver training programs.
6. Delete \$1,500,000 from the State General Fund for the Professional Development Program, for a total of \$1,000,000. The Subcommittee notes that the Professional Development Program has not been funded since FY 2003 and the recommended amount will help defray costs which school districts have had to pay entirely on their own in recent years.
7. Delete \$150,000 from the State General Fund for the Parent Education Program. The effect of the Committee's recommendation would be to fund the program at the level approved by the 2004 Legislature for FY 2005 (\$4,667,000 from the State General Fund and \$2,500,000 from the Children's Initiatives Fund, for a total of \$7,167,000).
8. Concur with the Governor's recommendation to add \$1,004,045 from the Children's Initiatives Fund for the four-year-old at-risk program (for a total of \$5,504,045). The increase would allow 500 more children to be served, for a total of 6,000. Because the number of children who can be served is set statutorily at 5,500, recommend the introduction of legislation to raise the cap to 6,000.
9. Members of the Subcommittee wish to state that they believe more funding should be added to elementary-secondary education. The Subcommittee is mindful that the Kansas Supreme Court has told the Legislature that school funding is inadequate, particularly in the areas of special education, Base State Aid Per Pupil, and funding for at-risk and bilingual students. The Subcommittee is particularly aware of the importance of early childhood programs, including the Parent Education Program. It also is aware that it has placed an increasing burden on teachers, who need the help provided by the Professional Development Program and the Teacher Mentor Program, and who are being asked to do more with less. Finally, the Subcommittee acknowledges the demands that have been placed on the State Department of Education and expresses the hope that the Legislature will consider adding more funding for elementary-secondary education at the end of the session.